

**FREE MARKET GAME**

**ACTIVITY PS-13:** Free Market Game. This is an entertaining game that can be played in the family or the classroom to illustrate the principles of the free market. Divide the class into two groups representing entrepreneurs and consumers. Give each of the entrepreneurs 10 pennies of capital money to start a business by purchasing candy inventory to sell for profit. Have an assortment of candies they can buy to sell such as M&M's, licorice, gum, caramels, etc. Give each of the consumers 10 pennies of spending money. Tell the entrepreneurs that the goal of the game is for them to make a profit from the original capital investment by selling their product to the consumers. Allow 5 minutes of commerce for them to run their businesses. During that time go around the classroom as a tax collector collecting one penny from each of the businesses. At the end of five minutes see which businessman made the most profit.

Make the following observations:

1. What determined the price of each candy? The price was determined strictly by the demand not the cost.
2. Which candy commanded the highest price and what effect does this have? The candy with the highest price was the most scarce one. If the game is played over again, the entrepreneurs will obviously stock up on the highest price item, automatically solving the scarcity problem. The opposite effect occurs on the lowest price candy.
3. Play the game over again, except, this time double the money supply by giving each consumer 20 pennies instead of 10 pennies. Investigate the effects on the market. Prices will probably double even though the buying power remains the same. This is an example of inflation caused by an increase in money supply or instigated by a minimum wage law. If you try it again with only 3 pennies each you will see prices go down, which illustrates recession.
4. Play the game in the original fashion again, except, this time, place a government mandated price control on the most popular candy so that it will be affordable at half price to the poor people. This should cause a severe shortage of that commodity because the businessmen have less incentive to sell it and the consumers buy it twice as fast.
5. Play the original game again except this time place a government mandated price floor of double the price on one of the less popular candies to guarantee the business with that candy a fixed profit. You might also act as a politician and make a deal with the businessman that offers to support your re-election campaign fund. This will illustrate how economic favoritism can be a useful political tool. After this game there should be a severe surplus because the entrepreneur would have stocked up with a commodity that nobody bought just because he was guaranteed a fixed minimum price. At the end of this game the government will buy it from him and destroy it. It can't be given away because it will dilute the value of the other candies on the market.
6. Play the original game again, this time telling the most profitable businessman that he can no longer sell the most popular candy because it is becoming a monopoly. This should result in somebody else getting the benefit of becoming a monopoly. In effect, the government just transferred the monopoly to another company.
7. Play the original game again, this time establishing government licensing. Tell the entrepreneurs that they must first obtain a license in order to sell the most popular candy. Perhaps the licensing may even be waived for businessmen who are willing to donate to the next campaign. Make the licensing fee 5 pennies and watch the effects on the market.